

P-427, P404/CP-87-288 FINDINGS OF FACT, CONCLUSIONS OF LAW AND ORDER

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

Barbara Beerhalter	Chair
Cynthia A. Kitlinski	Commissioner
Norma McKanna	Commissioner
Robert J. O'Keefe	Commissioner
Darrel L. Peterson	Commissioner

In the Matter of the Petition of Certain
Subscribers of the Becker Exchange for the
Establishment of Extended Area Service
Between the Becker Exchange and the
Monticello and Enfield Exchanges

ISSUE DATE: November 21, 1988

DOCKET NO. P-427, P404/CP-87-288

FINDINGS OF FACT, CONCLUSIONS OF
LAW AND ORDER

PROCEDURAL HISTORY

On May 18, 1987, the Becker Chamber of Commerce filed a petition for Extended Area Service (EAS) with the Minnesota Public Utilities Commission (Commission). EAS was requested from the Becker exchange which is served by Sherburne County Rural Telephone Company (Sherburne) to the Monticello and Enfield exchanges which are served by Bridge Water Telephone Company (Bridge Water).

On January 15, 1988, the accounting firm of Olsen, Thielen & Co., Ltd., on behalf of Bridge Water, asked the Commission to dismiss this EAS petition, arguing that traffic data showed that there was no community of interest to support the installation of EAS.

On May 5, 1988, the Commission issued its ORDER DENYING REQUEST FOR DISMISSAL. That Order also asked the Minnesota Department of Public Service (Department or DPS) to file a report with the Commission on whether and to what degree Northern States Power Company (NSP) would use the proposed route and, if so, what additional facilities would be required. The Commission also ordered Bridge Water and Sherburne to submit proposed rates for the EAS route between Becker and Monticello and Enfield. Finally, the Commission ordered the companies and the Department to enter into a Stipulation of Facts as required by Minn. Rules, part 7815.1000.

On June 7, 1988, the Department submitted its report on NSP's possible use of the EAS route. The DPS concluded that NSP is not expected to use the local telephone network for communicating between NSP's Becker and Monticello facilities. NSP has made substantial capital expenditures for microwave towers and communications equipment.

On July 5, 1988, the DPS filed a Stipulation of Facts with the Commission.

The Commission met on Wednesday, November 9, 1988, to review the Stipulation of Facts and

proposed rates for the requested EAS route.

BACKGROUND

Petitions for EAS are reviewed and investigated under the requirements of the Commission's Extended Area Service Rule, Minn. Rules, parts 7815.0700 through 7815.1500 (the EAS Rule). The petition review process under the EAS Rule results in a Stipulation of Facts (Stipulation) entered into by the DPS and the telephone companies serving the exchanges involved. The Stipulation contains:

- A. the results of the traffic study;
- B. the cost study used to develop the proposed rates;
- C. the proposed rates;
- D. the size of the exchanges involved;
- E. the location of government, commercial, employment, and social centers for persons living within the petitioning exchange;
- F. the location of schools serving the petitioning exchange;
- G. the location of medical, emergency medical, law enforcement, and fire protection services serving the petitioning exchange;
- H. the list of additional facilities that will be needed and existing facilities that will be used to provide the service;
- I. the results of an informational polling (if ordered by the Commission); and
- J. the average monthly toll billings per main station over the proposed route.

When the Stipulation is completed and submitted to the Commission, the Commission reviews and analyzes it to decide whether the installation of the EAS route is required by the public interest.

FINDINGS AND CONCLUSIONS

The first issue for the Commission to decide is whether the stipulation as submitted by the DPS is complete or whether an informational polling should be conducted.

The Stipulation for the Becker to Monticello and Enfield EAS petition was compiled by the DPS, Sherburne and Bridge Water and is complete unless the Commission orders that an informational polling be conducted in one or more of the exchanges. If a poll is ordered by the Commission, the results would be included in the stipulation.

The information in the stipulation is discussed below.

Traffic Study Results

Sherburne conducted a traffic study of the calls between Becker and Monticello and Enfield from May 13 to June 12, 1987. There are 739 main stations in Becker. Thirty per cent of them made no calls and 23 per cent made one to two calls. Approximately 15 per cent of the main stations generated 63 per cent of the traffic. There was an average of 5.5 calls per main station.

Bridge Water conducted two traffic studies of the calls from Monticello and Enfield to Becker. The first collected data from May 21 to June 21, 1987. There are 4,047 main stations in Monticello and Enfield. Eighty-two per cent of the main stations made no calls; 5.2 per cent of the main stations generated 78 per cent of the traffic. The average number of calls per main station was not calculated.

The second study collected data from March 23 to April 23, 1988 and included 4,102 main stations. Eighty-one per cent of the main stations had no calls. While the average number of calls per main station was not calculated, the DPS estimated that each main station averaged one call per month.

PROPOSED RATES

In the Stipulation, the DPS did not recommend a rate methodology to determine rate additives for the proposed EAS route. The DPS discussed the results of several different methodologies.

The Companies agreed that rates should be based on actual costs, including access revenue decreases and tariff development charges. Further, they agreed that the costs should be paid entirely by the subscribers in each company's exchange. Bridge Water's monthly rate for the EAS additive would be \$0.46, while Sherburne's EAS monthly additive would be \$2.28. Finally, both companies preferred a uniform EAS rate additive for all classes of subscribers.

Minn. Rules, part 7815.0900 requires that the proposed rates be based on the company's statewide average embedded book cost and that the cost of EAS be divided equally between the exchanges involved unless the Commission determines that an alternative cost apportionment is fair and reasonable. Further the rule requires that the cost be apportioned among the customers in an exchange so that the relationship between the rates for the classes of service remains the same. The Commission staff asked Sherburne and Bridge Water to supply rate information that would meet the rule's requirements. The companies provided the following information.

<u>Bridge Water</u>	<u>One Party</u>	<u>One Party</u>
	<u>Residence</u>	<u>Business</u>
	\$0.21	\$0.33
<u>Sherburne</u>		
	<u>\$1.16</u>	<u>\$2.01</u>

SIZE OF THE EXCHANGES

Becker	747 main stations
Monticello and Enfield	4,102 main stations

AVERAGE MONTHLY TOLL BILLINGS

Becker	\$1.25 (May 13 to June 12, 1987)
Monticello and Enfield	\$.21 (May 21 to June 21, 1987)
	\$.23 (March 23 to April 23, 1988)

The Commission has also reviewed the location of government, commercial, employment, and social

centers for people living in Becker; the location of schools, school districts, and medical, emergency medical, law enforcement, and fire protection services serving Becker; and the additional facilities that will be needed and the existing facilities that will be used.

Under the EAS Rule, the Commission has the option of ordering an information polling of the subscribers in one or all of the affected exchanges and having the results included in the Stipulation. The Commission finds that the information contained in the Stipulation provides sufficient information for the Commission to make its decision whether the installation of EAS is in the public interest. For that reason, the Commission will not order an informational polling of subscribers in the Becker, Monticello, or Enfield exchanges. The Commission concludes that the Stipulation is complete.

The second issue before the Commission is whether to schedule any public meetings at this time.

According to Minn. Rules, part 7815.1100, the Commission shall schedule a public meeting within five days of receipt of the completed Stipulation. The Commission may vary this rule, under Minn. Rules, part 7830.4400, where it appears to the satisfaction of the Commission that:

- A. enforcement of the rule would impose an excessive burden upon the applicant or others affected by the rule,
- B. granting of the variance would not adversely affect the public interest, and
- C. granting of the variance would not conflict with standards imposed by law.

The Commission finds that enforcement of Minn. Rules, part 7815.1100, would impose an excessive burden upon the applicant and others affected by the rule. Conducting a public meeting, when the Stipulation provides the Commission with the information it needs to make its decision, is an unnecessary and excessive burden upon the affected telephone companies and their subscribers in terms of the time and expense involved in scheduling and holding a public meeting.

The Commission finds that granting the variance would not adversely affect the public interest. For reasons discussed below, the Commission finds that the Stipulation contains information which clearly indicates that the proposed EAS route is not in the public interest. Therefore, the public interest would be served by waiving the rule regarding public meetings in order to reach a more timely resolution of the issue. Finally, granting the variance would not conflict with standards imposed by law.

The Commission concludes that the requirements of Minn. Rules, part 7830.4400 have been met and will order Minn. Rules, part 7815.1100 varied in order to waive the requirement that a public meeting be conducted.

The next issue before the Commission is whether the proposed EAS route is in the public interest.

The Commission finds that the Stipulation demonstrates that the telephone traffic between Becker and Monticello and Enfield is not extensive. Correspondingly, the average monthly toll billings for

calls between Becker and Monticello and Enfield are not substantial. Furthermore, the proposed rates exceed the current average monthly toll billings. The average total cost of two or fewer calls per month from Becker to Monticello/Enfield is approximately \$0.42 whereas the residential EAS additive calculated according to the EAS rule is \$1.16.

The traffic studies indicate that over 50 per cent of the subscribers in Becker and 92 per cent of the subscribers in Monticello and Enfield made two or fewer calls per month to the other exchange. Over 80 per cent of the Monticello and Enfield subscribers made no calls to Becker. Finally, over 60 per cent of the total traffic between Becker and Monticello and Enfield is generated by no more than 15 per cent of the main stations.

The Commission finds that the disparate toll calling pattern found in calls from Becker to Monticello and Enfield is similar to results of the traffic studies conducted in the Villard-Alexandria and Glenwood (Docket No. P-430/CP-86-236), Osakis-Alexandria (Docket No. P-552, P-430/CP-86-724), Miltona-Alexandria (Docket No. P-548, P-430/CP-86-729) and Dakota-LaCrosse/Onalaska (Docket No. P-401/CP-86-319) EAS petitions. For example, 20 per cent of Villard subscribers made 76 per cent of all calls to Alexandria and 20 per cent of Villard subscribers made 78 per cent of all calls to Glenwood; 20 per cent of Osakis subscribers made 70 per cent of all calls to Alexandria; 20 per cent of Miltona subscribers made 72 per cent of all calls to Alexandria; and 24 per cent of Dakota subscribers made 72 per cent of all calls to LaCrosse/Onalaska. Based in part on the traffic study information, the Commission found that none of these four EAS petitions were required by the public interest.

From the information in the Stipulation, the Commission finds that calls from Becker subscribers to the City of Becker or Becker Township are local calls. Becker has its own police department and its own local volunteer fire department. The county seat and the county sheriff's office in Elk River have toll free FX lines. Further, Becker operates its own elementary and secondary schools. Monticello has a special education center that serves several communities, including Becker. Commercial and employment centers for Becker subscribers are in Becker, Big Lake, Monticello and St. Cloud. The nearest hospital, emergency medical care and nursing homes are in Monticello. There are medical clinics in Big Lake, Monticello, Elk River and St. Cloud. Becker subscribers can make calls for emergency medical, law enforcement and fire protection by using 911 which is not a toll call.

The community of interest information does not indicate that there are strong ties binding Becker with Monticello and Enfield. Monticello does provide some commercial, employment and social opportunities for Becker subscribers. However, government, schools, emergency medical, law enforcement and fire protection services are not provided through the Monticello and Enfield exchanges. The traffic study indicates that a small minority of Becker subscribers are making the vast majority of toll calls to Monticello and Enfield.

While there are obviously a few individuals with a strong need to call Monticello and Enfield, that need is not community-wide. Without such a community-wide need, the Commission finds that EAS, which requires each class of customer to pay the same rate regardless of their level of usage, would not be in the best interest of the affected subscribers.

The purpose of the Commission's interexchange calling rules (including EAS) is to provide flexibility to meet the needs of customers who reside within the various telephone exchanges, to reflect the geographical boundaries of individual customer calling patterns and the individuals' community of interest, to offer customers fair and economical rates consistent with the customers' needs, and to use telephone facilities most efficiently.

Under Minn. Rules, part 7815.1400, the Commission shall order the installation of EAS if it finds that such an action is required by the public interest. Based on the above findings, the Commission concludes that the installation of EAS between Becker and Monticello and Enfield is not in the public interest. The Commission will deny the petition for EAS between Becker and Monticello and Enfield.

ORDER

1. Minn. Rules, part 7815.1100 is varied to waive the requirement that a public meeting be held.
2. The petition for extended area service between Becker and Monticello and Enfield is hereby denied.
3. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Mary Ellen Hennen
Executive Secretary

(S E A L)